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SIPDIS
TELEGRAM

March 17, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 1292 - ROUTINE)
TAGS: PINR, ENRG, EINV, EPET, ETRD, KPRP
Captions: None
Subject: (C) ABU DHABI'S OIL PRODUCTION CAPACITY (C- TN3-00243)
Ref: None

S E C R E T ABU DHABI 01292

SIPDIS
CXABU:
ACTION: ECON
INFO: P/M AMB DCM POL
Laser1:
INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: AMB:MMWAHBA
DRAFTED: ECON:CCRUMPLER
CLEARED: DCM:RALBRIGHT ECON:TWILLIAMS

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RR RUEHC RUEHHH RUEHDE RHEBAAA RUEHLO RUEHFR
RUEHTU RHEHNSC RUEAIIA
DE RUEHAD #1292/01 0761418
ZNY SSSSS ZZH
R 171418Z MAR 03
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 8907
INFO RUEHHH/OPEC COLLECTIVE
RUEHDE/AMCONSUL DUBAI 2891
RHEBAAA/DEPT OF ENERGY WASHDC
RUEHLO/AMEMBASSY LONDON 0604
RUEHFR/AMEMBASSY PARIS 0662
RUEHTU/AMEMBASSY TUNIS 0486
RHEHNSC/NSC WASHDC
RUEAIIA/CIA WASHDC

S E C R E T SECTION 01 OF 02 ABU DHABI 001292

SIPDIS

NOFORN

DEPT FOR NEA/RA, NEA/ARP, INR/EC, EB/IEP,
EB/CBA, S/CT
AMEMBASSY TUNIS -- HOLD FSI FOR OLIVER JOHN
USDOE FOR INT'L AFFAIRS -- COBURN, ALSO
CALIENDO

E.O. 12958: DECL 03/17/13
TAGS: [KPRP](#) [PINR](#) [ENRG](#) [EINV](#) [EPET](#) [ETRD](#)
ECON, TC
SUBJECT: (C) ABU DHABI'S OIL PRODUCTION CAPACITY (C-
TN3-00243)

¶1. (U) Classified by Ambassador Marcelle M. Wahba, for reasons 1.5 (B) and (D).

¶2. (S/NF) Summary and comment: In separate meetings with Abu Dhabi National Oil Company (ADNOC) CEO Yousef bin Omeir and Deputy CEO Abdulla Nasser Al-Suweidi on March 17, Econchief was provided an unprecedented look at ADNOC's production and surge capabilities. ADNOC can produce up to 2.5 million barrels per day (mmb/d) on a sustainable basis and has significant short-term surge capacity -- close to 2.8 mmb/d. We are not aware that the ADNOC leadership has ever provided such detailed information to the USG before (and indeed, securing this cooperation required political-level engagement -- see ref B). That they were so forthcoming likely reflects a willingness to assist in stabilizing the oil market should that prove necessary in the weeks to come. End summary and comment.

Current Capacity About 2.5 MMB/D

¶3. (S/NF) ADNOC CEO Yousef bin Omeir admitted that ADNOC is producing at about 2.2 mmb/d, could ramp up sustainable production to 2.4 mmb/d almost instantaneously, and to 2.5 mmb/d in "a matter of days," if necessary. According to ADNOC Deputy CEO Al-Suweidi, ADNOC has the capability to shift production from field to field easily. ADCO (Abu Dhabi's onshore production company), for example, had ramped up production to 1.35 mmb/d for a couple of days last week to help compensate for the total shut-down of offshore operations due to dangerously high winds.

¶4. Al-Suweidi systematically described production levels in each of Abu Dhabi's main fields and said that ADNOC could sustain 2.5 mmb/d indefinitely under current reservoir management policies. ADMA-OPCO currently is producing about 500,000 barrels per day and is close to peak production. The Upper Zakum field, operated by ZADCO, is producing about 570,000 barrels per day and could produce 600,000 barrels per day with 15 million cubic feet per day of gas flared. ADCO peak sustainable production is about 1.4 mmb/d, with the Bu Hasa field accounting for any significant production increase. He noted that, while ADNOC usually limits the flaring of gas, it might relax those restrictions during a crisis, as it had done during the 1991 Gulf War, when more than 50 million cubic feet per day was flared.

Surge Capacity Is Significant

¶5. (S/NF) ADNOC's leadership is not keen to produce above 2.5 mmb/d out of a concern for potentially damaging Abu Dhabi's fields and because environmental considerations militate against the flaring of gas. (Note: ADNOC has a "Zero Flaring" policy, but since GASCO, the local gas processing company, does not have the capacity to manage the additional associated gas, higher oil output would require the flaring of the excess gas. End note.) The ExxonMobil Country Manager here (please protect) previously confirmed to Econchief that ADNOC could surge to at least 2.6 mmb/d, if needed. Al-Suweidi said, however, that ADNOC's short-term surge capability at the well-head could be as much as 20 percent more than peak production, suggesting a surge capacity closer to 2.8-3.0 mmb/d.

¶6. (S/NF) Al-Suweidi acknowledged that while ADNOC could hypothetically reach 3.0 mmb/d at the well-head,

being able to actually move, process, and export that amount would require significant investment to increase the capacity of the surface facilities (i.e. the collection and processing facilities). He said that ADNOC's shareholders were not keen to invest in additional spare capacity at this time, but it is technically feasible nonetheless.

Other Factors Affecting Output

17. (S/NF) There are only a few other factors that could hinder ADNOC from ramping up production instantaneously in a crisis. The weather sometimes prohibits full production from the offshore facilities, as was demonstrated last week. To take advantage of current high oil prices, ADNOC has deferred scheduled maintenance in the near-term that could affect the production of any one field. Although we don't know to what degree higher insurance premiums on tankers could affect ADNOC's ability to put additional production on the market, Al-Suweidi confirmed that ADNOC sells its oil FOB (free on board -- customers provide their own tankers) and the availability of tankers is outside of ADNOC's control. Finally, ADNOC would have to receive specific instructions from the Supreme Petroleum Council (SPC) to increase production significantly above current levels. Al-Suweidi undertook to inform us of any change in the current situation that would affect the UAE's production capabilities.

Wahba